



THE OHIO STATE BOARD OF COSMETOLOGY

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TESTIMONY before the OHIO SENATE
GENERAL GOVERNMENT AND AGENCY REVIEW SUBCOMMITTEE
HONORABLE SENATOR KRIS JORDAN, CHAIRPERSON

ON

SUB. H.B. 49 OPERATING BUDGET

BY

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OHIO STATE BOARD OF COSMETOLOGY

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INTRODUCTION:

Senator Jordan and respected members of the Senate General Government and Agency Review Subcommittee, my name is Christopher Logsdon and I am the Executive Director of the Ohio State Board of Cosmetology. I appear before this subcommittee to seek the support of the Ohio Senate concerning the budget recommendations contained in Sub. H.B. 49 for the newly proposed State Cosmetology and Barber Board. After a brief description of the Board and its role, I would like to focus the majority of my testimony on the Ohio State Board of Cosmetology's budget recommendations and the proposed merger with the Ohio State Barber Board.

THE OHIO STATE BOARD OF COSMETOLOGY:

The Ohio State Board of Cosmetology (hereafter referred to as "the Board") is a unique regulatory board engaged in the governance of salons, schools, and individuals engaged in the practice of cosmetology, branch services of cosmetology, and tanning services. The Board's mission is to protect and support the public through regulation and education while promoting the integrity of the industry. Practically, the Board meets this mission through the effective regulation of cosmetology schools, cosmetology salons, tanning facilities, and individuals engaged in the many branches of cosmetology, including full cosmetology services, hair design, manicuring, natural hair styling, and esthetics. Our goal is to effectively regulate the industry, while limiting the negative impact over-regulation may have on businesses and individuals.

The State Board of Cosmetology consists of eleven individuals appointed by the Governor with the advice and consent of the Ohio Senate, who employ thirty-three (33) support staff and seven (7) administrative staff to complete a broad spectrum of duties delegated to them by the Board.

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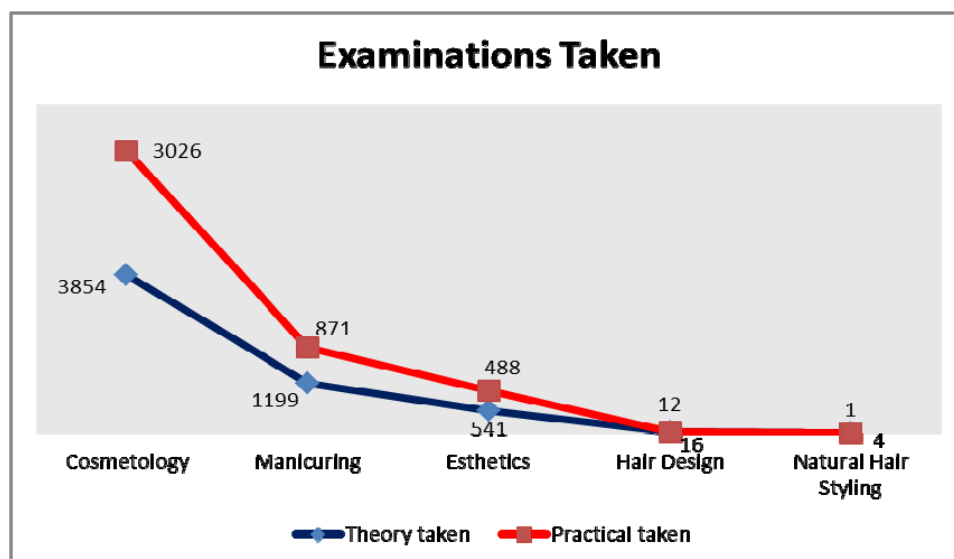
Current active licenses include 78,716 individual providers of branches of Cosmetology, 18,629 Independent Contractor licenses, and 265 boutique services registrants. In addition, the Ohio State Board of Cosmetology issues licenses to approximately 11,442 cosmetology, hair design, manicuring, natural hair, esthetics, and boutique services salons. Additionally, the Board licenses 1,101 tanning facilities. **(Table 1)** During FY 2016, the Board issued 7,970 new individual licenses and 1,371 salon licenses.

Table 1.

Basic Provider Licenses		Advanced Licenses		Instructor Licenses		Active Salon Licenses	
Cosmetologist	16670	Advanced	43185	Cosmetologist Instructor	3188	Cosmetology Salon	9092
Esthetician	929	Advanced Esthetician	2970	Esthetician Instructor	116	Esthetic Salon	789
Hair Designer	123	Advanced Hair	125	Hair Designer Instructor	4	Hair Designer Salon	349
Manicurist	3876	Advanced Manicurist	7362	Manicurist Instructor	129	Manicuring Salon	1198
Natural Hair Stylist	5	Advanced Natural	33	Natural Hair Stylist	1	Natural Hair Stylist	14
Boutique Registrations		Including instructor licenses, the Ohio State Board of Cosmetology renews approximately 110,000 licenses and registrations on a biennial basis.				Active School Licenses	
Boutique Registrant - Shampooing	101					Cosmetology School	88
Boutique Registrant - Threading	65					Career Technical	89
Boutique Registrant - Braiding	99					Tanning Facility	
Independent Contractor Licenses						Tanning Facility	1101
Independent Contractor	18639						

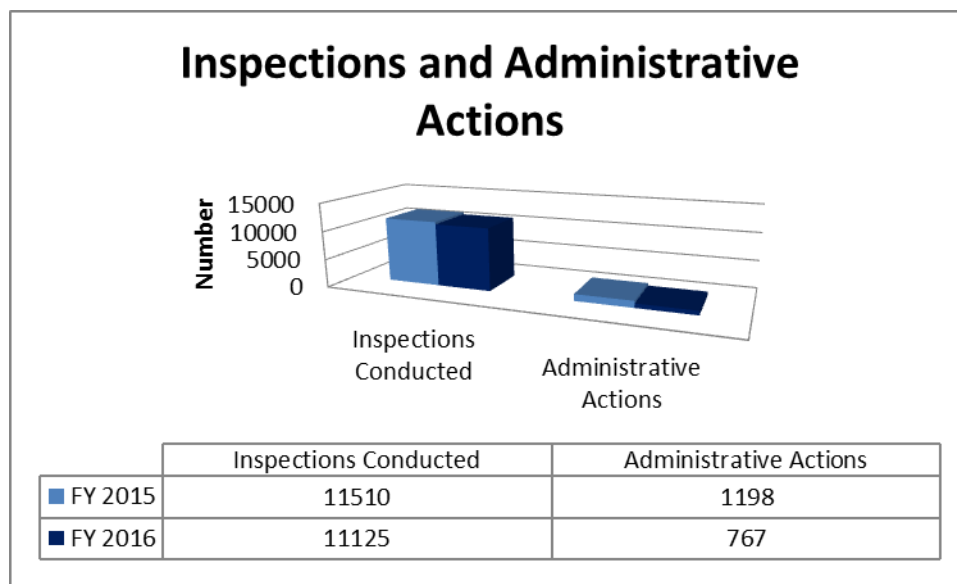
The Board's core mandates are to test minimum competencies of persons seeking to enter into one or more of the branches of Cosmetology and to ensure that salons and individuals engaging in offering those services are compliant with infection control and safety standards established by the Board. The Board develops and conducts its own theory and practical examinations in cosmetology, and each branch of cosmetology, at its office in Grove City, Ohio. Candidates are scheduled for examinations throughout the year, resulting in approximately 30 – 50 candidates taking examinations each day of the week. During FY 2016, the Board administered a total of 5,614 theory-based examinations and 4,398 practical examinations for cosmetology and its branches. Additionally, the Board administered 3,305 manager examinations, bringing the total examinations administered to 8,919 theory and 4,398 practical. **(Figure A)**

Figure A



The Board employs 12 field inspectors. Inspectors are assigned to regional coverage areas throughout the state. A salon or tanning facility is inspected approximately every 18 – 24 months. On average, each inspector completes approximately 927 inspections every year. In FY 2016, field inspectors filed 11,125 inspection reports, representing 8,536 salons visited. Of these, Inspectors found 2,445 violations, resulting in 1,678 warning notices and 767 violations being issued and monitored by case administrative action staff. In comparison to FY 2015, the number of inspections remains relatively consistent, while the number of administrative actions decreased significantly. This decrease is directly related to business-friendly policy changes implemented in FY 2015 that decreased the penalties for minor violations. **(Figure B)** The Board also inspects more than 194 proprietary and career-technical cosmetology schools in the state of Ohio.

Figure B



Additionally, the Board establishes and monitors the curriculum for licensed educational programs throughout the state.

EXECUTIVE BUDGET RECOMMENDATIONS:

The budget recommendations contained in Sub. H.B. 49 propose to merge the Ohio State Barber Board with the Ohio State Board of Cosmetology, beginning January 2018. A review of the Executive Budget recommendations has been conducted, taking into consideration variances between the requested and recommended funding for each agency. Each Board individually prepared their own budget requests. Based on this review, the Ohio State Board of Cosmetology supports the funding recommendations provided in the Executive budget in the amount of \$4,462,105.00 in FY 2018 and \$5,348,760.00 in FY 2019. This represents a 13% increase in FY 2018 over the Ohio State Board of Cosmetology's current FY 2017 appropriations and a 20% increase in FY 2019 over the proposed FY 2018 funding for the newly formed State Cosmetology and Barber Board. The primary elements affecting the Board's budget are the combined costs of payroll, maintenance expenses, and purchased service for the newly created State Cosmetology and Barber Board.

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Effect of the Budget Recommendations – Proposed Merger

The FY 2018/2019 budget recommendations are primarily designed to support continued service levels for the newly formed State Cosmetology and Barber Board. The merger of the Ohio State Board of Cosmetology and the Ohio State Barber Board will increase the Board's current budget to account for payroll transferred to the new agency, combined payroll increases associated with the collective bargaining contract and fringe benefit increase, combined purchased service costs, and combined maintenance costs. The most significant budget change is predictably associated with payroll increases, resulting in \$190,872 (COS) and \$184,525 (BRB) in FY 2018 and \$230,364 (COS) and \$491,873 (BRB) in FY 2019. Costs associated with merging the Ohio State Barber Board include the costs of transitioned personnel and FY2018/2019 increases associated with those positions. The next major change to the newly created Board's budget is the cost of the new eLicensing system. In FY 2019, the Board is estimated to expend \$466,247.00 for the new eLicense 3.0 system.

Funding provided in Sub. H.B. 49 will allow the newly formed agency to meet the collective objectives to effectively oversee the regulatory requirements of the cosmetology and barbering industries. The public will be better served through standardization of safety and sanitation requirements, while maintaining the unique character, educational requirements, and professional identity of each service licensed under the new agency's regulatory structure.

Priority Initiative

The proposed budget will also fund a priority initiative to transition the cosmetology board's theory examination to a nationally-recognized examination. In 2011, the Board moved from contracting with a nationally-recognized examination provider for the practical and theory examinations for cosmetology and the four branch examinations (manicuring, esthetics, hair design, and natural hair styling) to developing and administering its own examinations. After developing and administering its own examinations for cosmetology and each branch of cosmetology since 2011, the Board now desires to transition back to a nationally-recognized examination. Ohio is currently one of only two states that develop their own examinations – New York being the other state. The remaining states contract their theory examinations, and some of their practical examinations, through a national examination service. The primary advantage of using a nationally-recognized examination is the advancement of reciprocal licensure between states and continual updating of the examination content. The concept suggests that individuals licensed in Ohio would face fewer barriers to licensure in other states that use or recognize the same examination, and persons licensed in other states would face fewer barriers to licensure in Ohio. This proposal aligns well with Ohio's goals to create business friendly policies. In addition, the continual updating of examination content as well as the thorough psychologic validation of tests is proving to exceed the Board's resources and capabilities. This industry-standard approach to testing would better ensure against exam cheating and legal challenges.

Operational Challenges

The Ohio State Board of Cosmetology has proved itself a good steward of the funds approved by the Ohio General Assembly. The agency has focused its initiatives on meeting its fundamental goals and objectives established by the Ohio Revised Code, while demonstrating its adherence to the values and objectives of the Governor by reducing barriers to individuals and businesses,

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improving opportunities for working Ohioans, and implementing policies and procedures to improve workflow efficiencies. The Board's continual fiscal focus is to reduce or hold firm costs of operation.

During the current biennium, the Board has implemented a three-year strategic plan designed to reduce unnecessary barriers to business and individuals while enforcing the licensure, safety and sanitation standards for the industries regulated by the Board. Most of these changes, to date, have resulted in improved policies and procedures, organizational structure, or regulatory clarity. The beneficiaries have been the licensees served by the Board, and the public, who expect our review and response to their concerns to be timely and comprehensive. Personnel ceilings have remained stable during fiscal year 2016; although, organizationally, we have seen several positions changed to better align with the agency's goals and objectives. Due to attrition, the Board anticipates and has planned to reduce its personnel ceiling in FY 2019 by 1.0 FTE, resulting in a cost reduction of approximately \$85,000.00.

In September 2016, Am. Sub. S.B. 213 was enacted. This bill fundamentally changed Ohio's cosmetology law, making significant changes to its licensing and inspection practices. Under the new provisions, the Board ended issuance of the manager licenses and eliminated the mandate to have a person holding a manager license on duty, at all times, in a salon. Persons who held manager licenses prior to the effective date of the act were issued a newly created license called an advanced license. The Board developed and began administering five new advanced practice examinations for persons completing an advanced practice training program in cosmetology or one of its branches. These added responsibilities were absorbed within the current workforce and workload structure of the agency. Additionally, the new provision created a category called "boutique services" and required salons providing these services to be licensed, and persons providing these services to obtain a registration.

The rollout of eLicense 3.0 promises to implement new automations that will improve workflow and records management. The Board is working with the Department of Administrative Services to discover operational efficiencies in the new system's configuration. Until the Board completes its transition to the new licensing platform and begins to use the system on a daily basis, it would not be practical to estimate or predict costs savings. With time and usage, the Board will be better positioned to determine full benefits of the new system. Additionally, costs associated with internal development of the written basic practice examinations for cosmetology and its branches should decrease over time as the Board transitions to a national examination, resulting in a savings to the agency.

The Ohio State Board of Cosmetology generates revenue through fees generated from examination applications, initial and renewal licensure, and fines. The Board has always generated more revenue than its expenditures; however, due to decreasing fine revenue and increasing costs, particularly those associated with the new eLicense 3.0 system, the Board's projected revenue will likely fall below its biennial budget during the next biennium. This concern would become even greater in following biennia as the agency will face annual eLicense 3.0 costs. As a result, the Board has requested the ability to implement fee increases in this budget. The recommended language proposes a capped fee schedule, which would remove the current fixed fee structure and replace the fee structure with a common sense, fiscally sound, and publically accountable approach. The change will set upper fee limits and impose a requirement that the Board go through rules filing to amend individual fees within the proposed limits.

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Conclusion:

The Board will continue to incorporate conservative business principals in its business plan by seeking the least costly alternatives to meeting its mission-critical goals and objectives. This includes evaluating its workforce plan to validate its staffing and resource alignment with the agency's business needs, and foregoing unnecessary expenditures that hold no value-added benefit for the agency or its stakeholders. I would encourage the members of this body to fairly evaluate the Board budget recommendations and support them, as proposed, in the amount of \$4,462,105.00 in FY 2018 and \$5,348,760.00 in FY 2019. I am pleased to address any questions.